

## **“Social Pacts in Western Europe: The Roles of European Integration and Electoral Competition”**

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### **I. Introduction: The Emergence of Social Pacts in Western Europe**

Social pacts – national-level agreements between governments, labor unions and sometimes employer organizations – began to emerge in many Western European countries in the 1980s. Although on the surface, these agreements seemed to bear some resemblance to the neo-corporatist arrangements of the 1970s, several features made them notable and distinct. First, they were signed in countries that did not conform to the characteristics usually identified with neo-corporatism, such as the presence of leftist governments, and strong and centralized social partners. Second, the pacts varied significantly in their contents, including issues as diverse as wage levels, work time, labor market or industrial relations reform, welfare reform, and training.

In this paper, we aim to explain the emergence of social pacts in West European countries. We are particularly interested in explaining the variation of the existence of pacts both across and within countries. That is, why do some countries feature a long list of social pacts, while others have few or none? And second, why do some governments pursue social pacts as their preferred way to change policies during certain time periods, but choose the legislative route at other times? In exploring these questions, we diverge from the prevalent explanation centered on economic pressures and instead highlight electoral dynamics. We argue that social pacts will be attractive when party leaders perceive them to be helpful in reducing the potential electoral costs of economic adjustment and wage restraint policies. Alternatively, parties may forgo negotiations with

social partners and seek to impose such policies unilaterally if they believe that approach will yield electoral gain or minimize electoral costs.

The paper proceeds as follows: The first section will present a brief overview of the dominant explanations of social pacts, focusing on economic pressures and institutions. The second part will ground our argument in existing theoretical and empirical work on parties, governments, and voting behavior. The third section discusses some initial results based on a 16-country comparison of social pacts. Although these results are preliminary and tentative, they indicate the directions our future research will take. The final section summarizes our findings and suggests directions for further research.

## **II. Economic Institutions and Social Pacts**

The most common explanation for the prevalence of social pacts tends to focus on economic factors, in particular the need to control public deficits and inflation in the wake of the 1992 Maastricht criteria for European Monetary Union (e.g. Hancké and Rhodes 2005; Pochet and Fajertag 2000). Yet this approach cannot satisfactorily explain the timing of social pacts: they have been signed well past the introduction of EMU in 1999 and the first social pacts were signed as early as 1982, long before the EMU criteria had been established (Donaghey and Teague 2005). A second approach lays greater emphasis on pre-EMU competitive pressures and on institutions in explaining the incidence of social pacts (Hassel 2006; Marginson and Sisson 2004; Regini 2000). According to Hassel (2006) coordinated bargaining systems dominated by centralized unions exposed to global economic pressures are most likely to agree to social pacts.

However, this approach cannot easily account for many of the non-wage components of social pacts or for those pacts that contained no wage component at all. Nor can it clearly explain variations within countries: why have governments sometimes adopted adjustment policies unilaterally, as in Italy for example, when previously pacts had been signed? Some authors have tried to address this issue by modeling the relative power of governments and unions but as yet there is no consensus on whether it is mutual weakness or a power imbalance that increases the propensity of governments to offer social pacts (cf Avdagic 2006; Avdagic, Rhodes and Visser 2005; Baccaro and Lim 2007; Regini and Regalia 1997).

A different approach to the way in which economic institutions interact with and respond to economic pressures can be found in the varieties of capitalism (VoC) literature, which might be expected to offer some insights into the uneven distribution of pacts across the advanced capitalist world (Hall and Soskice 2001). One implication of the VoC framework is that pacts would be more likely to occur in the Coordinated Market Economies (CMEs) rather than the Liberal Market Economies (LMEs) because the former possess the institutional preconditions for the creation and implementation of national agreements between governments, unions and employers. However the status of the Southern European economies – Italy, Spain and Portugal – is ambiguous within the VoC literature (Hamann and Kelly 2007b). Hall and Soskice (2001: 21) tentatively suggest that they form a third type of capitalism, which they label a “Mediterranean economy”, characterized by a high degree of state intervention. However, in the same edited volume Thelen (2001: 88-89) describes Italy as a coordinated market economy. Even if we focus on the countries generally agreed to be CMEs, there is considerable

variation in the incidence of pacts with far more having been signed in Belgium and the Netherlands as compared to Germany and Austria. Overall then the VoC approach is not especially helpful in making predictions about the incidence of pacts in the Southern European economies.

### **III. Parties, Elections, and Social Pacts**

Governments may resort to social pacts in response to economic problems, as the political economy approach posits, but they also forge them in response to electoral pressures. Economic problems may be necessary, but are not sufficient, to explain the variation in the presence or absence of pacts. Furthermore, while many social pacts include a wage bargaining component, the majority of pacts deals also, or exclusively, with other issues, such as welfare state restructuring or labor regulations. Consequently, our analysis focuses on governments and political parties and their role in initiating or facilitating social pacts. Governments can, and frequently do, choose an alternative path to adjustment by using legislative procedure that excludes unions and employers. Why, then, do governments sometimes prefer negotiations with unions and employers to parliamentary procedure? This question is particularly interesting as pacts are not necessarily cost-free for governments. Negotiations imply some compromising on part of the government, meaning governments move away from their ideal policy position. They can also be lengthy, and failed negotiations can make all actors involved – including the governing party or parties – look bad. Negotiations with non-parliamentary actors can also raise questions of democratic legitimacy and the democratic process in the minds of

the voters. To answer our question, we introduce an explicitly political perspective by tapping into the literature on party competition and changing voting behavior.

In constructing a conceptual framework to examine the political logic of social pacts we draw on several literatures dealing with the behavior of political parties and voters. After first setting out briefly our core propositions we then elaborate our reasoning in more detail. First, we assume that parties, in or out of office, are continually involved in choosing trade-offs among their sometimes competing goals of vote seeking, office seeking and policy seeking (Strøm 1990). In other words, governments are not just concerned with implementing policies in response to economic problems, as much of the pacts literature has implied, but also with the outcomes of elections. Second, while all parties face trade-offs, these are likely to manifest themselves in different ways for social democratic, Christian Democratic, and conservative parties (especially those with a strong neo-liberal economic program), in part because of their differing electoral bases. Third, voters hold the government responsible for the economy so that the type of economic policies pursued by governments can have a significant impact on their success in seeking votes and office. These three propositions need to be complemented by recognition of changes in the behavior of voters and parties since the 1970s. Over the past 30 years or so, European electorates have expressed a decline in the willingness to vote (electoral turnout), a decline in the level of attachment to a particular party (partisan identification) and an increased willingness to switch votes between elections (electoral volatility). These changes in voting behavior are also connected with the emergence of new political parties, such as regional, green, or far right parties. The combined effect of these changes in the electoral landscape is that major parties have faced more uncertainty

and more pressure at the same time as they have pursued potentially unpopular policies. Finally, therefore, we suggest that social pacts may be one strategy governing parties have employed to guard their electoral fortunes while implementing potentially unpopular economic and welfare policies.

*Voters, the Economy, and Government Accountability*

Strøm (1990) states that political parties care about policies, office, and votes. Much of the existing literature on pacts has primarily centered on the policy aspect. That is, scholars have focused on governments' desires to meet economic policy demands – in this case, frequently those imposed by external constraints, such as globalization pressures or EMU criteria. In contrast, the interest of politicians to get themselves or their party (re)elected has received less attention by the pacts literature. Obviously, policy and reelection interests are linked: if the policies that are implemented are widely unpopular, ineffective, or even disastrous, it will diminish the chances of the governing party to get re-elected.<sup>1</sup> On the other hand, if the policies are successful and viewed favorably by the majority of the voters, the chances of reelection are heightened. This poses a dilemma for parties that are committed to pass unpopular policies and yet want to be reelected.<sup>2</sup> It

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<sup>1</sup> To quote Pierson (1994:17), "Government leaders want to advance their policy agendas, and they want to be reelected. If at all possible, they will seek to make these two goals mutually reinforcing. There is no need to assume that governments consider only electoral implications in formulating policies; it is enough ... that such concerns are a central consideration, if only because failure to consider electoral consequences can jeopardize policymakers' long-term prospects for implementing their preferred policies." Keman (2002: 223) concludes from an empirical study of 21 OECD countries that "parties – especially incumbent ones – appear to show both policy-seeking and office-seeking behavior."

<sup>2</sup> There has been some debate in the literature as to the extent to which adjustment pressures and their political consequences have been real or objective, and to what extent governments have used them as rhetorical devices to justify unpopular policies that are not, or only partially, related to external pressures. This is not the issue here, however. The point of discussion is not governments' endogenous preference formation, but rather the different ways in which governments have attempted to implement them. Furthermore, we do not argue that voters need to disagree with their country's joining the EMU – they

could be argued that implementing monetarist policies, including wage restraint and restrictive welfare state policies, is one such situation where governments perceive the need for unpopular reform, yet want to minimize potential electoral repercussions.

The fact that pacts may be linked to electoral considerations has been noted before. For example, Hassel and Ebbinghaus (2000: 65-6) refer to the potential electoral costs associated with the implementation of unpopular economic policies, as in the 1995 French general strike on the issue of pension reform. Analysts of welfare state reform have established the “high political costs associated with retrenchment initiatives” and the fact that “efforts to dismantle the welfare state have exacted a high political price” (Pierson 1994:180-181). Finally some of the literature on social pacts has referred to the ideology of the governing party but without linking this feature to an analysis of pacts (Hassel 2003a; Rhodes 2003:148). Overall there has been surprisingly little systematic analysis of the political costs of adjustment in the pacts literature.

We assume that voters hold governments accountable, in particular, for economic policies, and consequently engage in “economic voting.” Numerous studies have found that the economy matters to voters but there is no consensus on exactly how it matters, and under what circumstances. For instance, some analyses have found that the type of party matters for how voters react: leftist governments are penalized for poor employment records while rightist parties are punished more heavily for high inflation (e.g. Powell and Whitten 1993). Alternatively, the “issue priority model” hypothesizes the opposite: since leftist parties are perceived as most apt to curb unemployment and conservative parties as best at stemming inflation, it would be irrational for voters to

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might well support the outcome, without, however, embracing related policies that affect them negatively and personally, such as real wage loss, more expensive health care, or reduced pensions.



punish leftist government for poor employment records and conservative governments for high inflation (Anderson 1995:353). Other studies have looked at which aspects of the economy matter to voters, whether it is the overall state of the economy (“sociotropic” concerns) or an individual voter’s personal economic wellbeing (“egotropic” or “pocketbook” concerns). A related, yet unresolved issue is whether voters are prospective (the vote is based on their expectations of what will happen in the future) or retrospective (the vote is based on the evaluation of economic performance in the past).<sup>3</sup>

Other studies have included institutional factors, such as party systems and types of governments. Overall, the findings suggest that when voters can clearly ascribe responsibility for economic policies and performance to a specific party (most likely, in single-party majority governments), they are more likely to engage in economic voting than in cases where responsibility is less clear (coalition governments). For example, Powell and Whitten (1993) find that it is easier for voters to identify who is responsible for policies in majoritarian governments – often found in countries with majoritarian institutions – compared to coalition governments. Yet, at the same time, Manin, Przeworski, and Stokes (1999:47) point out that while majoritarian institutions create governments that are more accountable, they also “generate governments that are farther from voters in policy space.” Consequently, the effect of the type of governments and the relations between policies and popular preferences remains unclear, but regardless, voters allocate blame even when the ruling parties are further away from the voters’ preferred policy position. Furthermore, Anderson (2000) finds that the parliamentary and cabinet strength of the party of the Prime Minister matters: “bigger targets engendered stronger

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<sup>3</sup> See Lewis-Beck and Paldam (2000) for an overview of the literature on these two controversies in the economic voting literature.

effects” (Anderson 2000:164). That is, if the Prime Minister’s party has a larger share of the parliamentary seats and/or of cabinet positions, the party faces stronger effects of the state of the economy on its popularity compared to those with smaller shares. Finally, party system factors have been found to be important factors in economic voting. Economic effects are stronger in party systems where “fewer viable alternatives to the incumbent government” are present (Anderson 2000: 164-166).

While the economic voting literature is thus somewhat inconclusive as to *how* the economy influences voting decisions both theoretically and empirically, most studies concur that “it is clear that the economy is linked to the voter via the Responsibility Hypothesis. The voter observes the economy, judges its performance, and alters his or her vote accordingly” (Lewis-Beck and Paldam 2000:119).<sup>4</sup> Although most studies have used macroeconomic indicators, especially inflation, unemployment, and economic growth, other economic policies, such as cutbacks in welfare benefits and wage policies, may also be salient for voters and influence their choice in elections. While changes in welfare schemes may be the means to an end – macroeconomic stability – for governments, they affect voters directly, and many voters are hostile to attempts at reducing their welfare benefits. In other words the type of economic policies pursued by governments and the way they pursue them are likely to have significant repercussions for their electoral success. To echo Pierson (1996:177), “frontal assaults on the welfare state carry tremendous electoral risks”, and pacts may be one method governments turn to in their attempt to minimize potential electoral punishment.

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<sup>4</sup> The literature on economic voting is large and rapidly growing; therefore, we do not intend to report all detailed findings of this body of literature.

*Voters, Welfare States, and Political Parties*

Governments of all ideologies face the dilemma of the simultaneous need to meet economic targets, sometimes externally imposed, and selling their policies to an electoral market. For many governments, this means that they have to explain to voters why they are scaling down welfare states in order to obtain macroeconomic stability and balanced budgets. Voters, however, while desiring low unemployment and low inflation, are also interested in keeping their benefits and wages. This dilemma of combining economic adjustment measures to achieve positive economic outcomes while continuing to appeal to voters exists not just for leftist parties but also for conservative and Christian-Democratic ones due to the expectations of entitlements built up in the electorate. Survey data have shown that, by and large, citizens in Western Europe are opposed to retrenchment policies, especially for those programs, such as health care and pensions, that affect large segments of the population rather than small groups; in addition, interest groups representing those population segments, such as unions or retired people, are also likely to protest cutbacks for their clientele (Kitschelt 2001: 270-1; Ross 2000a; see also Pierson 1994, 1996; Rothstein 2000). Rhodes (1996:307) posits that the electorates' preference for a "fat" rather than a "lean" welfare state in Western Europe "makes anything other than tinkering very difficult." Similar to Pierson (1994), he argues that the reason for governments' difficulties in retrenchment are of a political nature, and more specifically, have to do with voters' preferences and parties' concerns about electoral outcomes. Other authors have found that heightened global competition has increased many voters' economic insecurity, leading to renewed demands for social protection (Weiss 2003:15). Thus, widespread opposition to retrenchment policies makes their

adoption and implementation politically and electorally difficult, and governments both of the left and the right will jeopardize their electoral fortunes if they push through a policy agenda of wage restraint (which also affects the middle class) and cuts in welfare state benefits (see Hassel and Ebbinghaus 2000). Widespread opposition to welfare state retrenchment is mirrored by continuing support for the welfare state even though some differences exist across welfare state regime regarding the level of popular support and the types of programs supported (Svallfors 1997; Linos and West 2003; Meier Jaeger 2003; Blekesaune and Qudagno 2003; Gelissen 2000).

Beyond these problems confronting all political parties regardless of ideology, different types of parties face specific issues. If social-democratic parties embrace more market liberalization in an effort to adjust national economies to growing global competition, they might get elected into office, but then lose votes subsequently as many of the party's core supporters are disappointed with austerity policies. On the other hand, if social-democratic parties defend traditional pro-welfare state, expansionary policies, they might have to remain in opposition as they either lose credibility with voters or they are not considered credible coalition partners for centrist or center-right parties (Kitschelt 1999: 322-324). Ross (2000a) argues that sometimes, leftist parties are more committed and better equipped to implement drastic cutbacks in welfare states because they need to heighten their economic credibility with business.

Conservative parties, for their part, face a problem as orthodox neoliberalism no longer appears as a viable solution even for governments of the right (see Rhodes 2001). For one, it is national governments that are responsible for meeting EMU criteria, and market forces alone cannot guarantee that these criteria can be met. Second, the political

and electoral problems of welfare state retrenchment face all governments, including conservative ones, in advanced industrialized democracies because of widespread popular support for welfare programs (Pierson 1994). In addition, conservative parties in government should not be expected to implement far-reaching welfare state retrenchment since voters would be “skeptical of its motives” and the government would find it “extremely difficult to pursue a justification strategy of blame avoidance” (Green-Pedersen 2002:37) due to the parties’ historically small role in building and defending the welfare state (see also Ross 2000a). However, if public opinion becomes more critical of welfare states, conservative parties may find an electoral advantage in advocating a cut in welfare programs (see Pierson 1994: 147).

Christian Democratic parties, on the other hand, need to address the problems of increasing secularization of West European societies and the reduction of their mediation function in ameliorating class conflict as they have fewer macroeconomic tools and resources available and workforce demographics are changing at the same time as new parties of the extreme right are gathering support (van Kersbergen 1999). With respect to cuts in welfare programs, Christian Democratic parties committed to retrenchment are expected to be able to implement cutbacks in welfare, especially if the parties govern in conjunction with leftist parties. Christian Democratic parties have more credibility of commitment to the welfare state than conservative parties due to their reputation for “societal accommodation and pragmatism” (Green-Pedersen 2002:38-39). Consequently, it is not just the party ideology, but also the party system configuration and patterns of competition between major parties that matters (Kitschelt 2001; Green-Pedersen 2002)

Governments, regardless of ideological leaning or type of government (coalition vs single-party majority or minority) are accountable to the electorate, and voters are generally opposed to welfare retrenchments, even when they elected conservative parties campaigning on a platform of welfare cuts.

### *Changing Voting Behavior and Changing Party Systems*

Governments do not just face the need to implement new policies that contract rather than expand wages and the welfare state, they also have to do so in a context of changing voting behavior and new dynamics of electoral competition, evidenced by increasing volatility and the emergence and rising popularity of new parties. Thus, parties can no longer count on the support of a stable core part of the electorate that votes in the party's favor with little attention to the actual policies implemented. Consequently they need to develop new strategies to retain a large share of their traditional voters while also attracting new voters from beyond their narrowly defined core electorate. Pacts can therefore be used as one electoral strategy of political parties in government in the face of pressures for adjustment policies.

In fact, social pacts (re)emerged at about the same time as massive shifts in electoral behavior and party systems in Western Europe occurred. The reasons for, and results of, these changes in voting behavior are manifold. For one, voters' electoral choices were based on factors different from the ones that had determined voting behavior in the post-war period up until about the 1970s. In particular, Lipset and Rokkan (1967) observed that the cleavage structures of the 1960s, based predominantly around class and religion, still reflected those of the 1920s. Consequently, the parties and party

systems, organized around these “frozen” cleavages, were likewise characterized by continuity or “freezing.” Since the 1970s the significance of these cleavages for voter behavior has declined and consequently, parties and party systems have begun to “unfreeze” and entered a “state of flux” (Dalton 2002: 134; see also Mair 2001).

The “unfreezing” of the party landscape is caused by a wide range of factors, including changing demographics, rising educational levels, the growing importance of mass media, the rise of new issues, and softening class lines as an outgrowth of changing employment and production patterns. These factors in turn have affected voting behavior, electoral outcomes, and party systems (see Dalton and Wattenberg 2000; Dalton 2000; Luther and Deschouwer 1999:250; Poguntke 2004). Class voting and partisan identification declined in almost all West European countries, resulting in voters’ “de-alignment” from established parties (see Gallagher, Laver, and Mair 2006:289, 294; Dalton 2006: chs. 8, 9; Dalton, McAllister, and Wattenberg 2000). Declining partisan attachment across a large number of advanced industrialized countries has thus occurred in response to “changes in the nature of contemporary electorates that might be identified with the modernization process of advanced industrialized societies” (Dalton 2000:29).

As a result, while electoral volatility was relatively low in the postwar period until the 1970s and parties could, by and large, assume a relatively stable share of core voters to support them, electoral volatility has since increased. Mean aggregate electoral volatility in 16 EU countries increased from 7.4% in the 1960s to 11.8% for the 2000-2004 period (Gallagher, Laver, and Mair 2006:294). Survey data at the individual level lend support to claims of rising electoral volatility at the aggregate level (Dalton, McAllister, and Wattenberg 2000:44-46). Parallel, “de-alignment” from established

parties is mirrored by electoral support for new parties (Dalton, McAllister, and Wattenberg 2000) and voters who are switching party support have become more likely to vote for a new party that did not previously exist. A comparison of 16 Western European democracies shows that the mean aggregate electoral support for new parties increased from 4.4% in the 1960s to 27.4% for the 2000-2004 period (Gallagher, Laver, and Mair 2006:292). Moreover, voters make their decisions later on in the campaign process and base their decisions more on short-term issues (Dalton, McAllister, and Wattenberg 2000:48), again heightening parties' uncertainties about electoral outcomes.

Volatility has also been facilitated by the fact that the character and internal organization of many dominant parties have been changing away from an emphasis on party membership to periodic support during election time. While "mass parties" established durable links to voters through their emphasis on membership, this model of party organization has been in decline since the 1960s (Scarrow 2000). Party membership data indicate that only four West European countries – Germany, Belgium, Ireland, and Switzerland – experienced absolute membership increases since the 1960s, most of which were small (Scarrow 2000:89). Looking at "membership density" – the ratio of a party's membership to its electorate – from 1960 to 1989, Poguntke (2002:58) finds that density has declined in 10 Western European countries and increased in only one, Ireland.<sup>5</sup> That is, the percentage of party members to voters has been steadily declining for many parties

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<sup>5</sup> The ten countries are Belgium, Denmark, Germany, Finland, Great Britain, Italy, Netherlands, Norway, Austria, and Sweden. Scarrow (2000:90) reports similar results, with only Germany showing a small increase (0.5%) in the member/electorate ratio; for data demonstrating overall party membership decline see also Mair and van Biezen (2001).



in Western Europe, and voters are less closely tied to “their” party and therefore more prone to switch their electoral support.<sup>6</sup>

Parties may be less likely to count on a relatively fixed share of votes not only because traditional social cleavages are weakening but also because of a concomitant decline in the influence of secondary organizations that tend to mobilize voters and channel their votes towards a specific party. For instance, the decline of class cleavages in many countries has been associated with a decline in trade union membership. Between 1980 and 2000 union density declined in 17 out of 20 OECD countries and rose in only three (Hamann and Kelly 2007b). Furthermore, to expand on the example of trade unions, the relationship between trade unions and leftist parties has in many cases become more adversarial (Howell 2001), thus reducing the role of unions in mobilizing and channeling votes towards a specific party. In Spain, for instance, class could account for almost 20% of the variance in votes in 1982, but decreased to less than 6% in 1993. A mere 2 - 3% of the variance in votes for the leftist parties PSOE and IU was explained by trade union membership in the 1993 election, compared to 13% of the variance for a vote for a left or a right party in 1979 (Gunther, Montero and Botello 2004: 270-275). The weakening ties between the trade unions and the Labour Party in Britain have also been well documented (McIlroy 1998; Ludlam 2001), and other countries show similar patterns (Burgess 2004). The bottom line of these changes is that in many countries, the traditional ties between parts of the electorate (e.g. working class) and corresponding political parties (e.g. Labour or social democratic parties) have softened, and electoral

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<sup>6</sup> However, Scarrow (2000:99) suggests that “although parties which were able to enroll large proportions of their voters may have been strong in terms of their ability to pursue a strategy of social encapsulation, they may have been comparatively weak in terms of their ability to contest elections in volatile electoral markets. Because of this, party strength does not necessarily decrease along with ... drops in enrolment.”

volatility has heightened. All these developments including decreasing party membership and attachments, and rising support for new parties are evidence of “a declining capacity on part of traditional parties to maintain solid linkages with voters, and to engage these voters and to win their commitment” (Bartolini and Mair 2001:334), resulting in “parties’ erosion of social anchorage” (Poguntke 2004:1).

Overall, declining party loyalty means that “contemporary voters are less likely to enter elections with standing party predispositions” (Dalton, McAllister, and Wattenberg 2000:49). Parties, therefore, see the need to reach out to voters that did not traditionally form their core support group, while at the same time attempting to maintain the support of their core clientele. How, then, can parties in government or in opposition reconcile different pressures for inflation control, fiscal restraint, and welfare state reform while acknowledging new electoral pressures?

#### *Pacts as Blame Avoidance and Vote Capturing Strategy*

Parties and governments are in need of adding legitimacy to economic adjustment measures if they are also concerned with vote and office considerations in addition to meeting policy goals. Welfare state retrenchment and wage policies are not just economic problems, but are also part of the political agenda of parties that compete for votes. Given that “parties are responsive [to voters] and governments do attempt to carry out their policy pledges” (Keman 2002: 242) and that voters prefer a continuation of welfare state programs while governments profess the need to downsize, how do governments promote and sell their policies to the electorate? In order to minimize the electoral costs of implementing unpopular economic and welfare policies, parties can employ several

strategies, such as obfuscation, division of potential opposition groups (those voter groups that would lose out as a consequence of the policies), and compensation of targeted victims of retrenchment (Pierson 1994). In addition, the type of program matters, and parties may be more successful when they implement cutbacks for programs affecting smaller, clearly delineated population groups (e.g. the unemployed) rather than programs with a more universal target population (Kitschelt 2001). The strategic framing of the issue – e.g. publicizing the need for budgetary discipline rather than emphasizing welfare cuts – also holds promise for governments’ efforts to implement unpopular policies while minimizing electoral costs (Kitschelt 2001; Ross 2000b). To add more detail to this argument, Padgett (2005) reasons that parties’ capacity to nurture public acceptance of cutbacks is highest when partisan cleavages on socio-economic issues are strong and mirrored in public opinion.

This reasoning can be broadened along two dimensions: one, it can be extended to other potentially unpopular policies, such as wage restraint, which will affect a large proportion of the electorate; and second, the repertoire of blame avoidance strategies can be expanded. Social pacts are one way in which governments can attempt to diffuse responsibility for unpopular policies and, at the same time, enhance the legitimacy of those policies. We assume that governments have the option of either passing wage or other policies unilaterally through parliamentary procedure, or negotiating social pacts with unions (and sometimes employers). In light of our observations about voters, parties and governments, the pacts option might provide four advantages for governing parties: first, it could increase the legitimacy of unpopular policies by broadening the social coalition in support of the policies, thereby helping to construct a consensus around them

(see Traxler 1997:27; Pizzorno 1978). Such a coalition might prove attractive to undecided voters, especially to those in favor of consensus politics. It might also help differentiate the pact party from rivals wishing to adopt a more unilateral rather than consensus-based approach to policy making. The possible need for party leaders to differentiate their party from competitors is illustrated by the fact that on average, the ideological distance between the most extreme right and left parties and the degree of right-left polarization in the party systems of 15 West European countries decreased between the 1980s and the 1990s, thus reducing “the scope of policy offers for voters” (Volgens and Klingemann 2002:156-157) despite the persistence of differences in patterns over time for individual countries.

Second, the process of negotiation involved in a social pact may help ensure that the costs of reform are distributed in ways that are acceptable to “economic voters.” For instance, Green-Pedersen (2002:34) argues that “voters might abstain from punishing the government if they can be persuaded that the retrenchment measures take away benefits from some undeserving group or improve the economic viability of the welfare state.” Broadening the “retrenchment coalition” to include the social partners might indicate just that, i.e. that the welfare cutbacks might be beneficial for a large share of the electorate. Third, a social pact may help dissipate blame for the policies among other members of the coalition and thereby reduce the electoral costs falling on the government. Moreover, if pact negotiations fail, the unions can be blamed and the government can still claim credit for being decisive and willing to take responsibility for adjustment policies in the face of external economic pressures. Fourth, the implementation of policy reforms may prove easier and more efficient if government has enlisted the help of unions (Hassel and

Ebbinghaus 2000). Insofar as voters seek to hold governments to account for their management of the economy, the successful implementation of labor market or welfare reforms may result in voters forming a favorable view of the government's economic competence. That in turn may help parties achieve their vote and office seeking goals.

Conversely, parties can actively attempt to undermine pacts or negotiated solutions if party leaders believe that pacts do not produce the desired outcomes, or if a significant share of voters is opposed to pacts and consensus-based policy making.

To sum up, we argue that parties and governments will be more likely to offer pacts under the following conditions: 1) when potentially unpopular policies are deemed necessary; 2) when the governing party or parties are facing electoral pressures in the form of increased electoral volatility, increased competition from other parties or governmental instability arising from weak, unstable or minority administrations; 3) when it seems likely that they would incur heavy electoral costs from implementing some of their policies unilaterally; and 4) when pacts are likely to increase the legitimacy and popularity of their policies and help diffuse blame for their costs among the social partners. Thus, we do not just take into account the relative power and interests of employers and unions, as most of the pacts literature does, but also the relative power of different electoral groups, e.g. welfare beneficiaries (see Manow 2001:147).

#### **IV. Social Pacts and Legislation: Preliminary Evidence**

##### *Methodological Issues*

The existing literature concentrates on wage pacts and therefore significantly underestimates the total number of pacts signed in the EU between the social partners.

Hassel (2003b), for instance, lists 27 social pacts (“cooperation between social partners and government”) signed between 1980 and 1999 while Calmfors et al (2001) report 37 “social pacts and national agreements” on wages over the same period. We examined reports in the *European Industrial Relations Review (EIRR)* and in the online European Industrial Relations Observatory (EIRO) for the period 1980-2006 for the EU15 plus Norway. We recorded instances of social pacts covering other labor market reforms – such as work-time, training and industrial relations institutions – as well as wages and welfare state reforms. We treat pensions as a separate category because the literature suggests pensions are most likely to be reformed through some form of consensus building within or beyond the legislature (Schludi 2005: 73-5; Myles and Pierson 2001: 306). In total we found that governments offered 154 pacts to either or both of the social partners between 1980 and 2006. Almost one quarter (38) of these negotiations failed because they were rejected by unions (and occasionally employers). The broad content of these pacts is shown in Table 1. Because some pacts have covered multiple issues, the total number of issues (196) is greater less than the total number of pacts.

[Table 1 about here]

Table 1 shows that social pacts have dealt with labor market reforms as much as wage regulation and a significant, though smaller number, has addressed welfare and pension reform. A remarkable 52% of all social pacts had no wage component at all, a fact that calls into question the widespread assumption in the literature that social pacts are primarily a mechanism for moderating wage settlements.

One of the core assumptions in our argument is that when engaging in policy reforms that are potentially unpopular with the electorate, governments have a choice to implement these reforms either through pacts or through legislation. Thus, in order to explore the role of electoral pressures on governments and parties in shaping the decision to use pacts or legislation, we also need to record the incidence of legislative reform on these issues. However, this is not straightforward for two reasons: first, in the areas of welfare and labor market reform governments have enacted a substantial volume of legislation, ranging from routine adjustments of benefit levels through administrative reforms of benefit rules to radical reforms of benefit entitlements and eligibility. In other words, many legislative initiatives reflect administrative routine rather than a strategic choice to exclude the social partners. It therefore makes little sense to include all of these diverse initiatives under the rubric of legislative reform, as distinct from social pacts. Second, many pieces of recent labor market legislation have reflected both domestic pressures as well as the need to comply with EU Directives on issues such as work time. Although the legal enactment of EU-inspired labor market reforms could in theory be preceded by a social pact, the content of most Directives provides relatively little scope for national discretion and hence for significant negotiation and amendment by the social partners. Thus, we expect that for those instances, pacts are not really a viable alternative to legislation.

We concentrate here on wages and pension reform for three reasons. First, because of the methodological problems our data on welfare and labor market reforms are still incomplete. Second, wages and pensions are contentious issues, and the literature has suggested that therefore these issues are particularly likely to be negotiated with the

social partners. Third, most of the existing literature on pacts has concentrated on wages, which feature prominently on the pacts agenda and are included in half of all pacts, while pensions are addressed in only 20% of all pacts. Thus, comparing these two issues will provide some preliminary answers as to whether our logic of the importance of elections differs depending on the issue. We will return to the issues of welfare and labor market reform in subsequent work.

In the area of wages, legislative intervention by governments to moderate wage growth is relatively unusual and given the high levels of bargaining coverage (typically around 80%) it is likely to prove highly contentious (Hamann and Kelly 2007a). For both these reasons we are confident that our industrial relations data sources will have recorded the overwhelming majority of such interventions. With respect to pensions, we know that reform of pension schemes has become a major political issue in recent years (Immergut et al 2007; Schludi 2005), a fact that is illustrated by the number of high profile disputes and protests, such as in Austria 2001-03, France 1995 and 2003 and Italy 1994. As our main data sources are primarily concerned with industrial relations issues, however, we decided to crosscheck several recent secondary sources on pension reforms in Western Europe. Five national case studies are discussed in Schludi (2005) and 16 Western European cases (the EU15 plus Switzerland) are covered in Immergut et al's comprehensive Handbook (2007). We therefore supplemented the *EIRR* and *EIRO* data with material from these two sources. In recording cases of pension reform we concentrate on pension system retrenchment rather than the routine amendments to pension regulation that often feature in government budgets. Retrenchment takes on three



forms: raised retirement age, raised contribution rates, or reduced benefits arising out of different calculation methods or new funding regimes (Schludi 2005).

Each instance of a pact or legislation was counted as one case, but where a government offered pact negotiation and then legislated following the failure of negotiations, we counted this event as both a pact and as legislation. In addition, and flowing from our model of party responses to electoral pressures, the tables include data on two other variables: First, in order to address the issue of electoral pressures, we note whether the government initiative was preceded by a net loss or gain of seats in the legislature (lower chamber) for the governing party or coalition at the most recent national election compared to the preceding election. For example in the Austrian election 2002 the populist-right FPÖ lost 34 seats compared to the 1999 election and the ÖVP gained 27, making a net loss of 7 for the re-elected ÖVP-FPÖ coalition. Or in Spain the Popular Party came to power in 1996 with an increase in its seat total of 18 compared to the 1993 election. Second, we address the proposition that electoral pressures have different implications for, and will elicit different responses from, governments depending on their party composition. To identify patterns, we employ Gallagher et al.'s (2006) typology of party families. We distinguish Left (including Social Democratic, Communist and Green), Center (Christian Democrat and Center) and Conservative (Conservative and Liberal) governments. Most coalition governments either fell within party families – e.g. Conservative and Liberal – or straddled adjacent families, e.g. Center and Left, Center and Right. We coded coalitions straddling non-adjacent party families, e.g. Social Democratic and Liberal, as “Mixed.”

### *Initial findings*

In the following Tables (Tables 2 and 3) we cross-tabulate government use of pacts compared to legislation for wages and pension reform.

[Table 2 about here]

[Table 3 about here]

Event though the small number of cases makes inferences and generalization difficult, the data suggest three points that merit further investigation through multivariate analysis. First, the ratio of social pacts to legislation is significantly lower for pensions (1.35: 1) than for wages (2.64:1), a surprising result in light of the widespread view that pension reform is far more likely to be conducted through negotiations with the social partners. Given the contentious nature of pension reform it is remarkable that on as many as 23 occasions governments have adopted the legislative route to reform, compared to 31 occasions when governments opted for pacts. Even if we set aside the three cases where legislation followed the breakdown of pact negotiations (Belgium 1984 and 1997 and Germany 1997) the figures still indicate a surprising preference for legislation. The difficulties faced by governments are clear from trade union reaction to proposed legislation: of the 23 governmental plans to reform pension systems through legislation, 11 were met with general strikes organized by trade unions even in countries with longstanding traditions of labor peace: Austria 2000 and 2003, Belgium 1984 and 1996, France 1995, Greece 1990, 1992 and 2001, Italy 1994 and 2003-04 and Spain 1985 while in Germany 1996, the DGB organized a protest demonstration with 350,000 participants

(EIRR, various issues; Schludi 2005: 137; see also Traxler 1998; Tunsch 1998; Visser 1998). Even governments that have tried to secure union agreement through a social pact have sometimes faced general strikes, as in Belgium (2005), France (2003), Italy (2004), and Luxembourg (2001) (EIRR, various issues). Second, on both wages and pensions, social pacts are more likely to be offered in the aftermath of electoral gain rather than electoral loss. This is particularly true for pension reform, where 22 out of 31 pension pacts were offered by governments following electoral success (measured by government seat gains in the legislature).

Finally, the party family also appears to make a difference to the form of government response. Left, Center-Left and Center governments have pursued pension reform far more commonly through social pacts with unions and employers. Center-Conservative and Conservative governments, in contrast, have readily used legislation, in half their cases of reform (14 out of 30). Moreover in four of the five cases where pension pacts were rejected, Conservative governments then proceeded to enact legislation (Belgium 1984, France 1993, Germany 1997, Italy 1994), a strategy used only once by a Left and Center-Left government (Belgium 1997).

How far can our argument about electoral pressures shed light on the counter-intuitive finding that the ratio of legislation to pacts is higher for pensions than for wages? Table 4 lists all the major governmental reforms of pensions since 1980, by legislation and by pacts, dividing them into those introduced by governments of the Left and Center and those originating with governments of the Center-Right and Right. For each case we have also recorded any gain or loss of seats for a government that was re-elected, gains and losses for the party members of the government or governing coalition,

the size of its majority (if any) in the legislature and the result of the proceeding election.<sup>7</sup>

[Table 4 about here]

In order to understand better the choices different governments make when engaging in policy reform, we concentrate here on one of the factors identified in the literature, party family of the governing party or parties. Table 4 shows that party family of the government is a strong predictor of the use of pacts compared to legislation. Reforms implemented by Social Democratic governments or those in which Social Democrats were a major partner have usually opted to reform pensions through inclusion of the social partners in social pacts, e.g. Denmark 1999, Finland 1999, Italy 1992, 1996 and 2006, Spain 1995 and 2006.

The Social Democratic governments that implemented pacts enjoyed considerable support from powerful trade union movements, measured by membership density, mobilizing capacity or bargaining coverage (Behrens, Hamann and Hurd 2004). In some of these countries union density remains extremely high by OECD standards. As of 2003, density in Belgium was 55%, Denmark 70%, and Finland 74% (Visser 2006). Although density rates are much lower in France, Italy, and Spain, these countries have union movements with extremely well developed mobilizing capacities. OECD data for days lost through strikes 1999-2003 shows that these three Southern European countries are among the most strike-prone in Europe and they have rates of collective bargaining coverage around 80% (Hamann and Kelly 2007b). While Austrian union density was fairly modest at 35% (2002) and its strike rate is one of the lowest in Europe, it does have

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<sup>7</sup> In the next stage of our research we will conduct multivariate analyses of the political and economic determinants of pacts and legislation, but in this paper we aim simply to present some initial observations about the data in light of our theoretical argument.

a very strong tradition of corporatist policymaking. On most comparative indices of corporatism, Austria almost invariably comes out as the most highly corporatist country in Europe (Siaroff 1999).

It is also interesting to note that only three of these governments – Denmark 1998-2001 and Spain 1993-96 and 2004- – appear to be “weak” as measured by seats in the legislature (Baccaro and Lim 2007). Even in these cases it is not clear that minority status translates into governmental weakness. Most postwar Danish governments have comprised minority coalitions but the number and diversity of parties in the Danish legislature means that governmental defeat on a vote of confidence is extremely rare (Damgaard 2000). Although the Spanish government elected in 2004 is technically a minority administration, being 12 seats short of a majority, it can usually count on sufficient votes from smaller parties in the legislature, especially regionalist ones. Most of the social democratic governments that have sought to reform pensions through social pacts have not done so from a position of weakness, nor have they faced weak trade union movements, as measured by density, bargaining coverage, or strike rates. In summary, the perceived electoral costs of unilateralism for social democratic governments are potentially very high in these countries, and this is most likely the explanation for the extensive use of social pacts.

If we turn to Conservative and Conservative-Liberal governments that embarked on pension reform, two differences appear between those that used legislation and those that used social pacts. The legislative route was more likely to be chosen by governments that were newly elected and in which Conservative, as distinct from Christian Democrat or Center forces, were stronger. Seven of the eleven governments that took the legislative

route were newly elected administrations (compared to just four out of nine that opted for pacts). Secondly the legislative route was favored by governments in which the ideological right wing of Conservatism was strongly represented. This includes Haider in the Austrian government of 2000-02, Berlusconi in the two Italian governments of 1994 and 2001-06 and Bildt in the Conservative-led coalition government in Sweden 1991-94. In contrast, five of the nine governments that relied on social pacts were dominated by Christian Democratic or Center parties (Finland, Germany, Ireland, Luxembourg and the Netherlands).

Insofar as pacts or legislative initiatives are intended to help parties address electoral pressures and enhance vote maximization, access to office and policy implementation, our preliminary data can shed some light on the relative success of these two methods. Table 4 simply presents cross-tabulations and does not control for other determinants of electoral performance so the evidence is no more than suggestive. But what it suggests is that, other things equal and in general, parties pursuing pension reforms through legislation actually fared slightly better at the subsequent election than those opting solely for pacts (10 wins in 18 elections, 56%), compared to 7 wins in 15 elections – 47% – for those using pacts. However, this general observation conceals a significant difference between party families: Left and Center parties that opted for pension legislation suffered only one defeat in seven elections whereas the performance of Conservative parties legislating pension reform was far worse: seven defeats in eleven elections. This initial finding confirms some of the arguments in the literature suggesting that leftist parties might be better positioned to welfare reforms since voters trust the parties' basic commitment to the welfare state.

In previous work, we have explored some of these relationships and interactions in-depth by using a series of case studies (Hamann and Kelly 2007a; Kelly and Hamann 2006). We found that although the specifics of electoral dynamics vary considerably across countries, in all the cases we have looked at, government choices on pacts or legislation are linked to electoral dynamics. In future work, we will link this line of in-depth case studies more systematically to the broader patterns across countries we have begun to unravel in this paper.

### *Economic Institutions and Social Pacts*

We referred above to the importance and limitations of looking at economic and political institutions to understand cross-national variation in governments' preference for either pacts or legislation for policy reforms. Here, we expand on that reasoning and look at some very preliminary evidence.

While wages form part of many social pacts, the majority of social pacts has components other than wage agreements, such as welfare state reforms or labor regulations. Theoretically, it makes sense to expect the issues and contents of pacts to be different in different varieties of capitalism since welfare regimes are closely tied to the type of capitalism. Pierson (2001:432), for example, points to the "numerous linkages ... between liberal welfare state arrangements and the liberal or 'disorganized' model of capitalism." Furthermore, it is not just the economic institutions, but also political institutions that appear to cluster in the different models of capitalism. For instance, overall, employer and labor organizations tend to be weaker in LMEs than in CMEs, meaning that it is potentially more difficult for governments to seek negotiated reforms

with unions and/or employer organizations in these countries (see Pierson 2001:433). Furthermore, the LMEs tend to have majoritarian systems with First-Past-the-Post electoral systems, two-party dominant party systems, and single-party majority governments, while CMEs generally have PR systems, which tend to have multi-party systems that produce coalition or minority governments with some frequency. Lastly, the welfare states in LMEs tend to be smaller in comparison to CMEs, leading the general population to expect a lower level of benefits, and instead having a public that is overall less hostile to reforms and welfare cuts than voters in CMEs (Pierson 2001:433). To illustrate, in the mid-1990s, over 57 percent of the electorate in Sweden received social benefits, just over half the electorate in Germany did, and less than a third of the electorate in the US did so (Pierson 1991: 413).

We have somewhat modified the VoC approach as outlined by Hall and Soskice (2001). The Hall and Soskice framework contains two ideal-type categories, the Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs), while the authors suggest a third category – Mediterranean Economies – might also exist, but that category is underdeveloped. Given our case selection, only two cases fall within the LMEs, the UK and Ireland, with the UK featuring no pacts at all, while Ireland has had nine pacts. That means that these two cases do not form a useful category when attempting to explain variation in social pacts. On the other hand, the Mediterranean category does not easily lend itself to form hypotheses concerning social pacts because of its theoretical underdevelopment within the VoC literature.

Here, we combine the VoC approach with the welfare systems approach that was originally developed by Esping-Andersen (1990). This allows us to split the CMEs, the



largest VoC category in our sample, into two groups, the Nordic states with social-democratic welfare systems, and the central European states with Christian-Democratic welfare states. To these two categories we add the Southern European economies and the LMEs to create four categories in total. This taxonomy is similar to the approach used by welfare state analysts. For example, Svallfors (1997) compares countries grouped into four types of welfare systems and finds that overall, there are some differences across regime types with respect to attitudes to redistribution-while Linos and West (2003) find differences in the social bases of public support for the welfare state across regime types. Swank (2001:213) also expects broader political support for welfare systems in universal systems compared to corporatist and liberal systems and refers to the likelihood that the median voter benefits from universal welfare benefits. Other studies, however, using different measurements, data, and country cases, have found there is less systematic evidence of public support for the welfare state across types of welfare state regime (see, e.g. Papadakis and Bean 1993; Meier Jaeger 2006).

Table 5 shows some very preliminary results with respect to the use of pacts or legislation across our four categories. The ratio between pacts and legislation is considerably different in Southern Europe compared to Scandinavia and the CMEs. One reason has to do with issues: Southern European governments have relied heavily on pacts to deal with labor market reform, and have made far less use of them for dealing with wages (see Table 6).

[Table 5 about here]

[Table 6 about here]

Our future research will link these very tentative insights with some of the findings discussed above, such as dominant party family in government, types of issues covered in pacts, gains and losses in the previous election strength of the governing coalition.

## **V. Conclusions**

Our paper has taken issue with one of the prevalent explanations in the recent literature of the emergence of social pacts in most countries in Western Europe since the 1980s. Instead, we have developed an alternative approach based on electoral dynamics and governments' electoral interests. We argued that wage and welfare reforms are not just issues related to macro-economic performance, but are also contentious political issues that are linked to electoral behavior. We discussed the background literature on voting and elections in some detail and presented some preliminary findings based on our dataset covering 16 countries from 1980-2006.

Our work, though based on preliminary results that need to be tested in a more rigorous and exhaustive fashion in the near future, nonetheless links to several points in the literature on social pacts and welfare reform.

First, we found evidence that by and large, governments are concerned about the electoral consequences of potentially unpopular reforms. However, the overall picture hides some interesting patterns that are revealed when we looked at the relationship between governmental choice for either pacts and legislation on the one hand, and policy issue, party family of the government, and whether governments lost or gained seats in the previous election, on the other hand. We found that pacts were prevalent in the wage

area but less so for pension reforms. This is somewhat contradictory to the literature on welfare state reforms, which suggests that those issues that are particularly contentious and affect a large proportion of the electorate are most likely to be modified through negotiated processes rather than through unilateral government legislation. According to Myles and Pierson (2001: 306) “only rarely does [pension] reform come about through a process of unilateral legislation by the government of the day.” However, our findings suggest that this is not necessarily so, and that under some circumstances governments are prone to change pension systems through legislative procedure. This occurs most frequently under conservative governments that command a strong legislative majority and were recently elected.

Second, and related, it appears that party ideology, or the party family a government party belongs to, still matters. The literature on welfare state development has stated that party position on the left-right scale is less important for welfare cutbacks than it was for the development of the welfare state (Huber and Stephens 2001:2). While this might well be true, party position is by no means irrelevant for policy reforms. Rightist governments are more likely to legislate welfare reforms after a strong showing in the elections compared to leftist governments, which are more inclined to use concertation for major reforms even when they performed less well in the previous election. Thus, government composition still matters for policy-making processes and welfare state reforms. The way in which pension (and other reforms) are carried through is important because concertation gives social and economic actors a larger voice in the policy-making process and thus has implications for democratic processes and representation more generally.

Third, pacts do not necessarily have to be rooted in “coalitions of the weak”, as some authors have argued (e. Baccaro and Lim 2007). While in some cases, governments and unions were indeed in a weak position, in many other cases governments commanded sizable majorities in parliament, had increased their vote share in the last election, and cooperated with unions that represented a large number of workers either through membership or collective bargaining coverage, and who also had demonstrated significant capacity for organizing general strikes. Thus, simple indicators of governments and/or union strength may have explanatory power for some cases, but do not hold against other cases.

Finally, as we have emphasized above, our data analysis is tentative and exploratory at this stage. However, the presentation of our preliminary results based on cross-tabulation suggests multiple roads along which to expand the existing research. First, we will refine our measurements and include additional dimensions of party competition and election outcomes, such as closeness and competitiveness of elections, types of governments and timing of pacts with respect to the previous and following election. Second, we will complement our initial tabulations with quantitative analysis exploring several dimensions and interactions of electoral behavior, governmental strength, political and economic institutions, and social pacts. Multivariate analysis will enable us to shed additional light on general patterns of the occurrence of pacts and interaction between different variables.

**Table 1: The content of social pacts in Western Europe 1980-2006**

<b>Topic</b>	<b># of times included in pacts</b>	<b>% of all pacts (N=154)</b>
Wages	74	48
Labor markets	74	48
Welfare benefits	17	11
Pensions	31	20

**Sources:** EIRO *Annual Reviews*, 1997-2005; *EIRR*, Jan 1980- Jan 2007, monthly; Schludi (2005); Immergut et al (2007).

**Table 2: Wage pacts and legislation as a function of electoral losses and gains and party family**

**a. Electoral Losses**

	Party families in government			Total
	Left/Center- Left/Center/CD	Center-Right/ Con/Liberal	Mixed	
Pacts	19	5	3	27
Legislation	10	3	0	13

**b. Electoral Gains**

	Party families in government			Total
	Left/Center- Left/Center/CD	Center-Right/ Con/Liberal	Mixed	
Pacts	14	21	12	47
Legislation	5	9	1	15

**Sources:** For pacts and legislation, EIRO and EIRR, as Table 1. Electoral data 1980-1998: Müller and Strøm 2000; 1999-2006 (and Greece 1980-2006): Official electoral statistics from national websites.

**Table 3: Pension pacts and legislation as a function of electoral losses and gains and party family**

**a. Electoral Losses**

	Party families in government			Total
	Left/Center- Left/Center/CD	Center-Right/ Con/Liberal	Mixed	
Pacts	6	3	1	10
Legislation	4	5	0	9

**b. Electoral Gains**

	Party families in government			Total
	Left/Center- Left/Center/CD	Center-Right/ Con/Liberal	Mixed	
Pacts	6	13	2	21
Legislation	3	9	2	14

**Sources:** As for Table 1.

**Table 4: Legislation and pacts on pensions by party families****a. Left, Center-Left and Center governments**

<b>Country</b>	<b>Pact or legislation Year</b>	<b>Govt seat Losses/ gains</b>	<b>Governing party seat losses and gains</b>	<b>Govt Status</b>	<b>Majority or minority and % seats</b>	<b>Result of next election</b>
<b>Legislation (7)</b>						
Austria	1995	-23	SD-15, CD-8	Re-elected	Maj 64%	Re-elected 1995
Belgium	1997	-38	CD-16, SD-22	Re-elected	Maj 55%	CD lost, SD remained in power 1999
Denmark	1993	+12	SD+15, C-3	New	Maj 51%	Re-elected 1994
Germany	2001	+44	SD+46, GR-2	New	Maj 52%	Re-elected 2002
Germany	2004	-39	SD-47, GR+8	Re-elected	Maj 51%	Re-elected 2005
Greece (Failed)	2001	-4	SD-4	Re-elected	Maj 52%	Lost 2004
Spain	1985	+81	SD+81	New	Maj 58%	Re-elected 1986
<b>Pacts (12)</b>						
Austria	1997	+7	SD+6, CD+1	Re-elected	Maj 68%	SD lost power, CD remained in government
Belgium (Failed)	1993	-14	CD-5, SD-9	Re-elected	Maj 57%	Re-elected 1995
Belgium (Failed)	1995	-38	CD-16, SD-22	Re-elected	Maj 55%	CD lost, SD remained in power 1999
Belgium (Failed)	1997	-38	CD-16, SD-22	Re-elected	Maj 55%	CD lost, SD remained in power 1999
Denmark	1999	0	SD+1, CD-1	Re-elected	Min 40%	Lost to Con 2001
Italy	1992	-27	SD-2, CD-28, C-1, Lib+6	New	Maj 53%	Lost power to Con 1994
Italy	1997	+90	SD+54, GR+2, C+34	New	Maj 51%	Lost to Con 2001
Italy	2006	+107	SD+107	New	Maj 55%	Pending



Netherlands	1992	-3	CD nc, SD-3	Re-elected	Maj 69%	CD lost, SD remained in power 1994
Portugal	2000	+3	SD+3	Re-elected	Balance 50%	Lost power to Con 2002
Spain	1995	-16	SD-16	Re-elected	Min 45%	Lost power to Con 1996
Spain	2006	+38	SD+35, L+3	New	Min 45%	Pending

**b. Center-Conservative/Liberal and Conservative/Liberal governments**

Country	Pact or legislation Year	Govt seat Losses/ gains	Governing party Seat losses and Gains	Govt Status	Majority?	Result of next election
<b>Legislation (14)</b>						
Austria	2000	+11	R+11, C 0	New	Maj 57%	Re-elected 2002
Austria	2003	-7	R-34, C+27	Re-elected	Maj 53%	C lost seats but remained in power. R lost power
Austria	2004	-7	R-34, C+27	Re-elected	Min 48%	C lost seats but remained in power. R lost power
Belgium	1984	-6	CD-21, Lib+15	New	Maj 53%	Re-elected 1985
Belgium	1986	+2	CD+8, Lib-6	Re-elected	Maj 54%	Lib lost, CD remained in power 1988
France (Failed)	1995	+251	C+124, Con+127	New	Maj 82%	Lost power to SD 1997
France	1997	+251	C+124, Con+127	New	Maj 82%	Lost power to SD 1997
Germany	1997	-57	CD-25, Lib-32	Re-elected	Maj 51%	Lost to SD 1998
Greece	1990	+2	Con+2	New	Balance 50%	Lost power to SD 1993
Greece	1992	+2	Con+2	New	Balance 50%	Lost power to SD 1993
Italy	1994	+276	Con+276	New	Maj 60%	Lost power to SD 1996
Italy	2004	+63	Con+63	New	Maj 60%	Lost power to SD 2006
Portugal	1993	-13	Con-13	Re-elected	Maj 59%	Lost power to SD 1995
Sweden	1992	+20	Con+14, C-9, Lib-11, CD+26	New	Min 49%	Lost power to SD 1994
<b>Pacts (16)</b>						
Belgium (Failed)	1984	-6	CD-21, Lib+15	New	Maj 53%	Re-elected 1985
Denmark (Failed)	1989	+2	Con-3, Lib+4, C+1	Re-elected	Min 38%	Lost power to SD-C 1993
Finland	1991	+10	C+15, Lib-5	New	Maj 58%	Lost to SD 1995
Finland	1992	+10	C+15, Lib-5	New	Maj 58%	Lost to SD 1995

France (Failed)	1993	+251	C+124, Con+127	New	Maj 82%	Lost power to SD 1997
France	2003	+108	Con+108	New	Maj 62%	Pending 2007
Germany	1985-92	-1	CD+18, Lib-19 (1983)	Re-elected	Maj 56%	Re-elected 1987 and 1990
Germany (Failed)	1997	-57	CD-25, Lib-32	Re-elected	Maj 51%	Lost to SD 1998
Ireland	2006	+12	C+8, Con+4	Re-elected	Maj 54%	Pending 2011
Italy (Failed)	1994	+276	Con+276	New	Maj 58%	Lost power to SD 1996
Luxembourg	2001	+1	Lib+3, C-2	New	Maj 57%	Re-elected 2004
Netherlands	2003	+5	C+1, Con+4	Re-elected	Min 48%	Re-elected 2006
Netherlands	2004	+5	C+1, Con+4	Re-elected	Min 48%	Re-elected 2006
Spain	1996	+18	Con+18	New	Min 45%	Re-elected 2000
Spain	1997	+18	Con+18	New	Min 45%	Re-elected 2000
Spain	2001	+27	Con+27	Re-elected	Maj 52%	Lost power to SD 2004

**c. Broad Coalitions**

<b>Country</b>	<b>Pact or legislation year</b>	<b>Govt seat losses or gains</b>	<b>Governing Party seat losses And gains</b>	<b>Govt Status</b>	<b>Majority?</b>	<b>Result of next election</b>
<b>Legislation (2)</b>						
Finland	1995	+16	SD+15, L+3, GR-1, Con-1	New	Maj 73%	Relected 1999
Finland	2004	+6	C+7, SD+2, Con-3	New	Maj 58%	Pending 2007
<b>Pacts (3+1)</b>						
Belgium	2006	+3	Lib+8, SD+15, GR-16	Re-elected	Maj 65%	Pending
Finland	1995	+16	SD+15, L+3, GR-1, Con-1	New	Maj 73%	Relected 1999
Finland	2002	-3	SD-12, Con+7, GR+2	Re-elected	Maj 60%	SD gained seats; C joined govt
Italy	1995	n/a	Technical govt	n/a	n/a	n/a

**Sources:** As for Table 1.

**Table 5: Pacts and Legislation by Variety of Capitalism**

<b>Type of Capitalism</b>	<b>Pacts</b>	<b>Legislation</b>
Northern Europe (CMEs)	28 (56%)	22 (44%)
Continental Europe (CMEs)	43 (60%)	29 (40%)
Southern Europe (Medit)	74 (72%)	29 (28%)
Liberal Market Ec (LMEs)	N/A	N/A

**Note:** The following countries are included in the categories:

Northern Europe: Denmark, Finland, Sweden, Norway

Continental Europe: Austria, Belgium, Germany, Luxembourg, Netherlands

Southern Europe: France, Greece, Italy, Portugal, Spain

Liberal Market Economies: UK and Ireland. Data collection for this category is incomplete. While 9 pacts and 1 major piece of legislation have been signed in Ireland, we have not yet completed collecting data on legislation in the UK, where no pacts have been signed.

**Table 6: Pacts with a Wage Component as Percentage of All Pacts**

<b>Type of Capitalism</b>	<b># of Pacts with wage component</b>	<b>Wage pacts as % of all pacts</b>
Northern Europe (CMEs)	15	54%
Continental Europe (CMEs)	22	51%
Southern Europe (Medit)	25	34%
Liberal Market (LMEs)	N/A	N/A

**Note:** same as for Table 5. Note also that all pacts and legislation in Ireland included a wage component.

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